

COMMUNITY HEALTH NYSE-CYH

RECENT PRICE **25.78** P/E RATIO **7.9** (Trailing: 8.4 Median: 17.0) RELATIVE P/E RATIO **0.51** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 2 Lowered 4/22/11	High: 37.2 35.4 30.5 27.7 30.9 40.7 40.0 44.5 40.1 38.0 42.3 42.5	Target Price Range 2014 2015 2016
SAFETY 3 New 9/24/04	Low: 13.1 21.3 18.5 15.8 23.2 27.0 31.0 27.7 10.5 13.0 25.6 22.3	
TECHNICAL 1 Raised 6/3/11	LEGENDS 4.5 y "Cash Flow" p sh Relative Price Strength Options: Yes Shaded areas indicate recessions	
BETA 1.20 (1.00 = Market)		

2014-16 PROJECTIONS

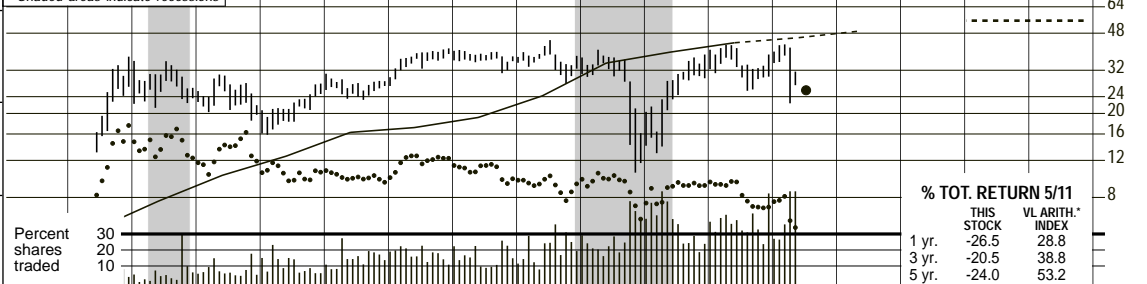
Price	Gain	Ann'l Total Return
High 85	(+230%)	34%
Low 55	(+115%)	21%

Insider Decisions

J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	0
to Sell	0	0	0	0	0	0	0	1

Institutional Decisions

3Q2010	4Q2010	1Q2011
to Buy 121	97	133
to Sell 134	151	105
Hld's(000) 87589	86942	89750



Community Health Systems was formed in 1985 and incorporated in Delaware in 1996. In 1996 the stock was purchased by Affiliates of Forstmann Little & Co. The company went public on June 9, 2000, offering 18.75 million shares priced at \$13.00 each. The IPO, which raised approximately \$245 million, was underwritten by Merrill Lynch. A second offering of 10 million shares was completed on October 30, 2000.

CAPITAL STRUCTURE as of 3/31/11

Total Debt \$8860.1 mill. Due in 5 Yrs \$7400 mill.
LT Debt \$8794.1 mill. LT Interest \$655.0 mill.

(Total interest coverage: 1.8x)

(79% of Cap'l)

Leases, Uncapitalized: Annual rentals \$46.2 mill.

Pension Assets-12/10 \$34.4 mill.

Oblig. \$39.7 mill.

Pfd Stock None

Common Stock 93,951,711 shs.

MARKET CAP: \$2.4 billion (Mid Cap)

CURRENT POSITION	2009	2010	3/31/11
(\$MILL.)			
Cash Assets	344.5	299.2	270.7
Receivables	1617.9	1714.5	1766.1
Inventory (Avg Cst)	302.6	329.1	329.3
Other	410.0	528.4	469.9
Current Assets	2675.0	2871.2	2836.0
Accts Payable	428.6	526.3	547.7
Debt Due	66.5	63.1	66.0
Other	962.7	1052.6	992.1
Current Liab.	1457.8	1642.0	1605.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	23.5%	29.5%	7.0%
"Cash Flow"	21.5%	20.5%	9.5%
Earnings	34.0%	10.0%	14.5%
Dividends	--	--	Nil
Book Value	9.5%	7.5%	11.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2008	2689	2655	2735	2761	10840
2009	2912	3017	3087	3092	12108
2010	3161	3171	3252	3403	12987
2011	3405	3465	3525	3605	14000
2012	3625	3675	3725	3800	14825

Cal- endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2008	.52	.52	.53	.62	2.19
2009	.63	.66	.65	.71	2.65
2010	.75	.74	.76	.76	3.01
2011	.80	.80	.82	.83	3.25
2012	.85	.86	.88	.91	3.50

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2007	NO CASH DIVIDENDS BEING PAID				
2008					
2009					
2010					
2011					

(A) Diluted earnings. Excludes nonrecurring losses: '05, 23¢; '06, 42¢; '07, \$1.35. Excludes discontinued operations: '09, 1¢; Q1 '11, (14¢). Next earnings report due mid-July.

(B) In millions.

(C) Includes intangibles: In 2010: \$4199.9 million, \$45.32/share.

BUSINESS: Community Health Systems engages in the ownership, leasing, and operation of general acute care hospitals in non-urban communities in the U.S. As of 12/31/10 it operated 130 hospitals in 29 states. Community Health is the largest non-urban provider in terms of facilities and second largest in terms of revenue in the U.S. Its hospitals offer a wide range of inpatient and outpatient medical

Community Health faces some residual effects from its bid to acquire Tenet Healthcare (THC). In the midst of the hostile takeover battle, the rival hospital operator filed a lawsuit in Texas federal court accusing Community of inflating its profits, and thus its potential cost savings from a merger. In the wake of the allegations, shares of CYH took an intraday plunge of 45%. Community has since filed a motion to dismiss the lawsuit, dropped its \$7.3 billion offer to buy Tenet, and withdrawn its nominees for Tenet's board. However, it recently received a subpoena from the SEC requesting related documents. Meanwhile, Tenet has filed an amended complaint seeking damages to recover costs incurred in fending off the takeover.

Legal issues will likely remain a near-term overhang on the stock. Now that Community Health has withdrawn its bid, it will likely take several months for the lawsuit issue to be resolved, unless Tenet decides to drop the litigation. In the interim, after briefly recovering more than half their losses, CYH shares have drifted back closer to their 52-week lows.

The current valuation may present a compelling entry point for more-aggressive accounts. The stock remains an Above-Average (2) selection for the year ahead, largely based on positive earnings momentum. However, because the shares have not fully recovered likely indicates some market uncertainty regarding the outcome of the lawsuit and investigation. Thus, most investors will likely be best served waiting on the sidelines until these matters are resolved.

In the meantime, the company has posted fairly decent numbers. Revenues from continuing operations rose 9% in the first quarter, fueling a 7% increase in the bottom line. Total admissions rose 1.4% in the period, but this was largely due to acquisitions, as same-hospital admissions were down 3.4%. The latter was largely a result of a shift toward more outpatient services versus hospital stays. Same-facility revenues, however, were up 5.1% in the period. Overall, we continue to look for a 5%-10% increase in share net for the year, with a similar range likely in the cards for 2012, as well.

Mario Ferro

June 17, 2011

Company's Financial Strength	B
Stock's Price Stability	40
Price Growth Persistence	55
Earnings Predictability	85

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